

2001: The Year in Review

Following is a summary of key regulatory events and initiatives that occurred in 2001:

September 11th Terrorist Attacks

No event in history has impacted the U.S. insurance industry or rallied the regulatory community more than the tragic terrorist attacks of September 11th. With nearly every major line of insurance affected, including commercial property and liability, homeowners/renters, automobile, life, health and workers compensation, the Insurance Information Institute estimates total insured losses from the attacks to be about \$40 billion.

Working through the National Association of Insurance Commissioners (NAIC), Illinois joined other state insurance regulators in responding quickly on a number of fronts:

- Immediately surveyed major Illinois domestic companies to gauge the financial impact on our state's insurers.
- Issued a bulletin advising all Illinois insurers and licensees to comply with the obligations outlined in President Bush's September 24 Executive Order blocking assets and prohibiting transactions with certain identified individuals and groups associated with terrorism.
- Endorsed the NAIC's *Guiding Principles for Federal Legislation Related to Property and Casualty Insurance Coverage for Losses Caused by Terrorism*, and urged the Illinois Congressional delegation to support a swift federal solution to avert insurance market disruptions caused by terrorism exclusions.
- Adopted specific guidelines and minimum standards for terrorism exclusions in commercial lines policies.
- Began looking at similar proposals for personal lines contracts.
- Began working with the U.S. Treasury Department to develop regulations applying the USA Patriot Act to the insurance industry.

NAIC Activities

In addition to helping craft regulatory responses to the events of September 11th, the Illinois Department of Insurance was an active member of 28 Committees and Task Forces and countless working groups and subgroups of the NAIC. During 2001, Director Nat Shapo served as Chair of the Midwestern Zone states, and in December was elected to the national office of Secretary-Treasurer. Illinois also chaired the Valuation of Securities Task Force, the Insolvency Task Force, and the International Holocaust Commission Task Force, and co-chaired the Functional Regulation Working Group which negotiates jurisdictional issues with federal bank regulators.

Illinois continued a number of positive steps begun in 2000 to carry out the federal **Gramm-Leach-Bliley Act** and the **Statement of Intent** (the NAIC's blueprint for changes in state insurance regulation) including: passage of legislation to comply with uniform agent licensing or reciprocity requirements; adoption of a rule creating the regulatory framework to comply with personal information and privacy protection requirements; creation of rate and form filing checklists and review standards; implementation of the System for Electronic Rate and Form Filing (SERFF); participation in a pilot program using the Uniform Certificate of Authority Application (UCAA) to streamline and make uniform the application process for insurers seeking to do business in multiple states; and efforts to establish uniformity in market conduct examinations.

Consumer Outreach

During the summer, the Department established a toll-free **Consumer Assistance Hotline** (866-445-5364) for Illinois residents who have insurance questions or problems. The automated system directs callers to staff members who are knowledgeable about all types of insurance, including health, auto, homeowners, life and annuities and who can answer questions or investigate their complaints or provide information about insurance companies and agents. Consumers who call after hours, on weekends or state holidays can leave a message on the system's voice-mail.

A three and a half year-old partnership to provide home repair loans to qualifying Chicago residents celebrated its 100th loan to make homes safer. The **Chicago Home Safety Loan Fund** is a Neighborhood Housing Service program backed by the Illinois Department of Insurance, insurance companies, the Chicago Fire Department, and others. CHSP is an innovative approach for reducing fire loss and increasing home safety in Chicago. The first of its kind, CHSP has become a model for such innovative partnership and hopes to share its experiences with other communities. CHSP educates residents about fire prevention and home safety, provides free home safety evaluations for home owners in Chicago, and offers a low-interest loan fund to help families make home safety repairs and upgrades.

In another urban insurance initiative, the Department worked with a nonprofit insurance industry group, The **Urban Insurance Partners Institute** (UIPI), to educate insurers about urban markets. In November, Department staff participated in a first-of-its-kind national workshop designed to help insurers gain the tools necessary to compete effectively in urban areas. The workshop benefited companies of all sizes, brokers and agents who want to write urban business. Funded by insurers, reinsurers and national trade associations, UIPI is the only insurance industry organization devoted solely to urban affairs. The institute also educates consumers about insurance through homeowners insurance education sessions in a number of cities.

State Planning Grant

In September 2000, the State of Illinois received a \$1.2 million State Planning Grant from the Health Research and Services Administration of the U.S. Department of Health & Human Services to develop a plan to assure access to health insurance for all Illinoisans. The grant funded two components of this planning: research on the characteristics of the uninsured in Illinois and a participatory process among diverse stakeholders to move toward consensus strategies to reduce the number of uninsured in Illinois.

The grant gave Illinois the opportunity to gather previously unavailable state specific data using research techniques, including a random digit dial survey, focus groups and key informant interviews, and an expansion of the Behavioral Risk Factor Surveillance System (BRFSS). Additionally, the state created a website; gathered information on a variety of potential strategies which have been used in other states; conducted a literature review; and developed a large bibliography. The new data, as well as existing national data, served as a bridge between researchers and stakeholders during the **Illinois Assembly on the Uninsured** (the Assembly), a participatory process intended to develop strategies to provide coverage to all uninsured persons in the state. The Illinois Department of Insurance is the lead agency for the State Planning Grant. Assistant Director Madelynne L. Brown serves as Project Director. A steering committee composed of representatives of the Illinois Departments of Public Health, Public Aid, Commerce and Community Affairs, and Human Services, the Illinois Comprehensive Health Insurance Plan, Southern Illinois University at Carbondale, the University of Illinois at Chicago, and the Office of the Governor has guided the direction of the project.

The Assembly was designed to allow stakeholders to move toward consensus on ways to reduce the number of uninsured to zero. Employers, labor unions, social service advocates, commercial insurers, insurance agents, medical practitioners and others share a fair amount of common ground on this issue, but rarely have had a chance to work cooperatively. The Assembly was an organized, interactive process where all of these entities could meet and work together to discuss ways to provide access to health insurance. The Assembly convened in January 2001 to review the project. The major meeting of the Assembly was convened for three days in July 2001, and a final plenary session was held September 10, 2001.

The Assembly balloting process, while not reaching full consensus, identified the three general, but important, suggestions that had the most support. It is important to note that not all participants supported these suggestions, and specific methods of funding each strategy were not voted upon. Further, in some cases the funding method selected could impact support for a strategy. Following are the three options that received the greatest degree of strong support from stakeholders during the participatory process and appear to be the most compelling for priority consideration:

1. There is strong support to provide coverage to parents with children in KidCare. Illinois has submitted a waiver request to the federal government to get permission to use federal funds to provide coverage to parents.
2. The Assembly reflected clear interest in providing support to the employer-based system. There was support for a strategy to implement incentives to employers, but less consensus on exactly what techniques to employ. Specific strategies suggested include reinsurance schemes, the creation of purchasing pools, tax breaks, employer subsidies and the development of new insurance products. Such new products may require legislation to allow for flexibility and to reduce mandates. These strategies have had varying degrees of success when implemented in other states. Therefore as we continue the planning process we will have to look carefully at these ideas to assure long-term viability.
3. Considerable agreement exists in the Assembly that outreach, education and marketing activities need to be undertaken. Education strategies were proposed for several target populations. There is support for educating the uninsured population as well as small employers on the importance of health insurance coverage and how it works. The new Ombudsman for the Uninsured Program in the Department of Insurance is a step toward this goal.

The State Planning Grant process continues in 2002. Our next step is to develop specific models in the framework of these options. Funding, considering the economy, is a major issue. The staff is working to identify how these strategies can be implemented.